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Announcement to ASX

Muthero-3 Spuds Winna-4 Cased and Suspended Cooper Basin, Queensland

Magellan Petroleum Australia Limited announces that the Winna-4 appraisal well has been cased and suspended as a future oil producer from the Murta Member. A DST over the interval 1228 to 1239 metres in the Westbourne Formation resulted in a flow of 22 BOPD.

Muthero-3 was spudded on 13 December 2005 at 1830 hours. Current well depth is 243 metres and the operation at 0600 hours this morning was testing blow out preventers prior to drilling ahead. The Birkhead/Hutton Formation is the primary objective, with the Murta Member a secondary objective.

Muthero-3 is the second well in the current three well drilling program in the Nockatunga Block.

Muthero-3 details:

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| Petroleum Title: | Petroleum Lease 51 |
| Location: | Onshore Cooper Eromanga Basin |
| Co-ordinates: | Latitude: 27° 42' 44.49" East Longitude: 142° 36' 45.92" (GDA 94) |
| Drilling Rig: | Ensign 20 |
| Objective: | Birkhead Formation and Murta Member |
| Proposed Total Depth | 1422 metres |
| Current operation: | Testing blow out preventers |
| Progress for week: | 243 metres |

Participants in the Muthero-3 wells are:

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| Magellan Petroleum (Eastern) Pty Ltd (A wholly owned subsidiary of Magellan Petroleum Australia Limited) | 40.936% |
| Santos Group (Operator) | 59.064% |

Magellan will issue operational information to the Australian Stock Exchange weekly on Thursdays during the Nockatunga drilling program.

For further information, please contact Dr Gwynn Davies on (07) 3224 1600